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INTRODUCTION

The Livingston County Friend of the Court (FOC) had a contract with the Michigan Family Independence Agency (FIA) to enforce all orders of support over which the Livingston County FOC had jurisdiction, to locate absent parents, and to provide certain reports on child support collections to the FIA. Livingston County FOC billed FIA monthly under the actual cost reimbursement billing method. FIA reimbursed Livingston County for their costs based on the Federal IV-D Program regulations.

SCOPE

We performed an audit of the costs submitted for reimbursement by the Livingston County FOC for the period October 1, 2000 through September 30, 2001. We performed the audit tests that we determined were necessary to determine if the costs charged were proper, accurate, documented, and charged in accordance with the terms of the contract.

EXECUTIVE SUMMARY

We found that the Livingston County FOC overbilled the FIA for some line items. The State share of the net amount overbilled was \$7,495. (See Schedule A.) We also found that the Livingston County FOC did not comply with the escheat policy outlined in FOC letter 99-025.

Our report recommends the Office of Child Support initiate the process to recoup \$7,495 from the Livingston County FOC.

Our report also recommends that Livingston County FOC comply with the escheat policy as outlined in the FOC letter.

FOC RESPONSE

The Livingston County FOC has reviewed all findings and recommendations included in this report. They indicated in a meeting held on October 18, 2002 that they are in general agreement with the report.

FINDINGS

Personnel - Salaries

1. The Livingston County FOC overbilled the FIA \$1,204.00 for salaries cost. The overbilled salaries cost was the result of error in the billing process. (See Schedule A.)

Personnel-Retirement Account

2. The Livingston County FOC overbilled the FIA \$4,314.00 for retirement cost because the County used a higher rate of contribution for retirement computations. The retirement contribution rates effective January 1, 2001 were not changed to the new lower rates of contribution as determined by the annual actuarial valuation Report of the Livingston County employees retirement system. (See Schedule A.)

Data Processing Cost

3. Livingston County FOC overbilled the FIA \$5,837.00 for data processing. The County could not provide documentation including a detailed analysis of why this cost was allocated to the FOC. (See Schedule A.)

Escheating of Outstanding Checks.

4. Livingston County FOC did not escheat \$61,383 to the State of Michigan for outstanding checks over one year. All outstanding checks dated prior to March 30, 2001 should be escheated to the State of Michigan.

WE RECOMMEND the Office of Child Support initiate the process to recoup \$7,495 from the Livingston County FOC.

WE ALSO RECOMMEND the Office of Child Support ensure that the Livingston County FOC escheats \$61,383 to the State of Michigan.

2000 General Ledger not Properly Posted

5. The Livingston County FOC General Ledger for the year ended on December 31, 2000 did not have any amounts posted for several accounts where there were amounts billed to FIA. The retirement account, workers' compensation account, and disability insurance account had zero balances in the General Ledger. The billing statement included \$16,219.69 for retirement, \$685.96 for workers' compensation, and \$81.79 for disability insurance. Although the lack of posting to the general ledger did not cause any incorrect billings to FIA, the lack of posting is an internal control weakness because the general ledger should be the source document for all billings to FIA.

The General Ledger for the year ended December 31, 2001 was properly posted for these accounts.

WE RECOMMEND that the Office of Child Support obtain assurance from the Livingston County FOC that the general ledger will be properly posted in the future.

Bank Reconciliation

6. The Livingston County FOC bank reconciliation for the month of March, 2002 shows a deposit shortage of \$18,965.80. This issue was discussed with the FOC who indicated that they would take appropriate action to determine the cause of the shortage.

Finding #	Line Item	Audit Period	(Over)/Under Billed Gross Amount	IV-D %	(Over)/Under Billed IV-D Amount	State %	Due (State) County
1	Personnel	10/1/00-9/30/01	\$ (1,464)	82.27%	\$ (1,204)		
	Personnel	10/1/00-9/30/01	\$ (5,244)	82.27%	\$ (4,314)		
2	Data Processing	10/1/00-9/30/01	\$ (7,095)	82.27%	\$ (5,837)		

Grand Total of the IV-D Audit Adjustments

\$ (11,356)

Calculation of the Payment Due the (State) County
Audited IV-D Amount

\$ (11,356)

\$ (11,356) 66.00% \$ (7,495)